REMARKS

Applicant has amended claim 8 to delete the word " to" at the end of the claim.

Information Disclosure Statement

The examiner argues that information disclosure statement filed 6/18/07 fails to comply with 37 CFR 1.98(a)(2). The examiner stated that: "The foreign patent reference is missing and the PCT search report do not match. It has been placed in the application file, but the information referred to therein has not been considered."

Applicant has enclosed a new IDS addressing these issues.

Double Patenting

The rejected Claims 1-12 provisionally rejected on the ground of non-statutory obviousness-type double patenting as being unpatentable over claims 1-12, respectively of co-pending Application No. 10/077,182.

Applicant will consider the submission of a terminal disclaimer upon an indication of allowable subject matter.

Claim Objections

The examiner objected to Claims 18 and 23 are objected to because of the following informalities: **"to account for cash" should be - to account for the cash -.** Applicant believes that amendment is unnecessary because the instance of the word cash is the first instance of that word in each of those claims and technically should not use the definite article "the" and being a plural noun should not use the indefinite article "a."

Claims 22 and 26 are objected to because of the following informalities: **"the prescribed amount of first exchange-traded fund shares" should be – the prescribed number of first exchange-traded fund shares --.** Applicant believes that the amendment overcomes this objection. Applicant has also amended the claims to call for "the" cash.

35 U.S.C. §112

The examiner rejected Claims 1-26 under 35 U.S.C. 112, second paragraph, as being indefinite.

The examiner argues that "**Claim 1 is rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. The omitted steps are: how is the financial product produced?** Applicant disagrees. At the outset claim 1 does not claim a financial product, but rather claims a method of producing shares of a first fund .... The specification clearly discloses to produce the shares. In addition, production of the shares is clearly set forth in the claims namely by delivering by a market participant to an agent for the first fund, a creation unit basket of securities ... and delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash .... The claimed subject matter clearly defines the invention and therefore no gap exists in the claim.

The examiner argued that: "**The term "substantially" in claims 1, 7,12, 18 and 23 is a relative term which renders the claim indefinite. The term "substantially" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. How is "substantially the same basis" measured?**" The phrase "substantially the same basis" is not a relative term but is a tolerance term that allows for a margin of difference in bases between the creation units of each fund.[1]

Claims 2, 8 and 13 recite the limitations "**the net asset value of the second fund" and "the second country". There is insufficient antecedent basis for these limitations in the claims.**" Applicant has amended claim 1 to call for second, different country, thus providing antecedent basis for "second country." As for amendment to call for "a net asset value," applicant believes such an amendment would be confusing since there is but one net asset value at any given calculation.

Claims 19 and 24 recite the limitations "**the net asset value of at the close of trading of the second exchange-traded fund" and "the second country". There is insufficient antecedent basis for these limitations in the claims.**" Applicant has amended claim 18 to provide antecedent basis for "second." As for

[1] Applicant's specification page 5, line 20.

amendment to call for "a net asset value," applicant believes such an amendment would be confusing since there is but one net asset value at any given calculation.

The examiner argues that: "**Claims 3, 9, 14 and 20 recite conditional language (i.e., "wherein if the calculated cash is a positive amount that is owed by the agent....") without sufficiently providing one of ordinary skill instructions for proceeding in the event that the condition fails. What happens if the cash is a negative amount? The claim also expresses discretionary language (i.e., "the agent at its option"). Thus, giving the claims their broadest reasonable interpretation there is not a positive limitation or requirement that anything is done. See MPEP §2111.** Applicant has canceled these claims without prejudice.

The examiner argues that:

> **Claims 4, 10 and 15 recite the limitation "the value of the first country shares to the value of the second country shares". Claim 25 recites the limitation "the value of the first exchange-traded fund to the value of the second exchange traded fund". There is insufficient antecedent basis for this limitation in the claim. Is the value the net asset value or some other value? Does applicant mean "the value of the shares in the first fund to the value of the shares in the second fund with respect to claim 4? Are these shares in the first and second financial product with respect to claim 10?**

Claims 4, 10 and 15 were amended.

The examiner argues that: Claim 7 recites the limitation "the second fund". There is insufficient antecedent basis for this limitation in the claim. Does applicant mean "the second financial product"?

The examiner argues that: **Claims 7 and 12 recites the limitation "a participant that receives the shares". Are these the shares in the first or second financial product?** Claims 7 and 12 were amended.

The examiner argues that: "**Claim 7, 12, 18 and 23 recites the limitation "a second, number of shares". A second what (i.e., # shares)? The comma makes the intent confusing.**" Claims 7, 12, 18 and 23 were amended

The examiner argues that: "**Claim 8 recites the limitation "the first fund". There is insufficient antecedent basis for this limitation in the claim. Does applicant mean "the first financial product"?**" Claim 8 was amended.

The examiner argues that: "**Claim 9 recites the limitation "the second country fund". There is insufficient antecedent basis for this limitation in the claim. Does applicant mean "the second financial product"?**" Claim 9 was canceled.

The examiner argues that: "**Claim 11 recites the limitation "the second country fund shares along with the prescribed amount of first country shares". There is insufficient antecedent basis for this limitation in the claim. Are these shares in the first and second financial product?** Claim 11 was amended.

The examiner argues that: **Claim 12 recites the limitation "second product". There is insufficient antecedent basis for this limitation in the claim. Should this be the second financial product? Claim 12 recites the limitation "the creation unit basis for a second financial product". There is insufficient antecedent basis for this limitation in the claim. Should this be a creation unit basis for a second financial product ?** Claim 12 was amended to recite second financial product. However, since there is but one creation unit basis for the second product, Applicant believes that "the creation unit basis for a second financial product" is proper.

The examiner argues that: "**Claim 13 recites the limitation "the first fund equate to the second financial product". There is insufficient antecedent basis for this limitation in the claim. Should this be the first financial product equates to the second financial product?**" Claim 13 was amended.

The examiner argues that: "**Claim 16 recites the limitation "the second product shares along with the prescribed amount of first product shares". There is insufficient antecedent basis for this limitation in the claim. Should this read the second financial product shares along with a prescribed amount of the first financial product shares?** Claim 16 was amended.

The examiner argues that: **Claim 17 recites the limitation "the first product". There is insufficient antecedent basis for this limitation in the claim. Is this the first financial product?** Claim 17 was amended.

35 USC § 103

The examiner rejected Claims 1-26 under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of "Exchange traded funds.

The examiner argues:

> **Claim 1: Gastineau discloses a method of producing shares of a first fund that is traded on a 'first marketplace, the method comprising:**
> **delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund (Gastineau, [0001] [0002] [0003] [0004]).**
> **Gastineau fails to explicitly disclose:**
> **delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.**
> **Strauss discloses:**

delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a method further comprising delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Applicant disagrees. Claim 1 calls for "... delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country ... and delivering ... shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant."

Gastineau neither describes nor suggests "delivering ... for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country." Gastineau discloses conventional creation unit basis for production of exchange traded funds. Take for instance, the S&P 500 depository receipts (SPDR's). These are instruments that are traded in the US based on a trust that is in the US and uses an index that is calculated in the US at close of trading in the US. There is no suggestion nor mention of "delivering ... for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country." That is, Gastineau has no suggestion of, e.g., a trust or a fund, in, e.g., Europe that is based on the S&P 500 (SPDR's) traded in the US.

The examiner also mentions that: **Gastineau fails to explicitly disclose: delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.** Applicant completely agrees with this statement. Moreover this statement clearly shows that Gastineau

does not suggest the first portion of this claim, since if Gastineau had suggested that feature then Gastineau would necessarily had suggested this later feature.

The examiner uses Strauss to teach the later feature of claim 1. Strauss teaches for instance "**Redemption proceeds include the Fund Securities plus cash in an amount equal to the difference between the NAV of the Shares being redeemed and the value of the Fund securities. 10 If the value, however, of the Fund Securities is greater than the NAV of the Shares, a cash payment equal to the differential must be paid to the ETF.**" Strauss does not cure any of the deficiencies in Gastineau. Moreover, Strauss does not suggest the latter feature of claim 1. Strauss does not suggest "delivering ... shares in the first fund to the market participant, ... and a second number of shares in the second fund to account for cash ... ." Strauss merely describes to deliver cash not shares in the second fund.

Accordingly, Gastineau and Strauss neither describe nor suggest claim 1.

Claim 7 is allowable over Gastineau and Strauss for analogous reasons as set out above.

The examiner also argues that: "**Intended Use: The claim makes several intended use statements which do not carry patentable weight (i.e., "a computer program product residing on a computer readable medium for"; "instructions for"). What follows the statement of intended use (i.e., "for") does not carry patentable weight.**" The examiner is kindly directed to *In re Lowry* 32 F.3d 1579, 32 USPQ2d 1031 (Fed. Cir. 1994) broadly holding that the patent office is not free to ignore claim limitations and specifically holding that printed matter rejections are improper because data structures are "specific electrical or magnetic structural elements in a memory."[2] This line of argument by the examiner is clearly not supported by precedent and should be withdrawn.

The claimed invention results in a structural difference between the claimed invention and the prior art that patentably distinguish the claimed invention from the prior art as for the reasons set forth in claim 1. The prior art structure is not capable of performing execution of instructions as called for in this claim.

Claim 12 similarly distinguishes over Gastineau and Strauss as discussed for claim 1 and claim 7, there being no intended use statements in the claim.

Claim 18

[2] Lowry 32 F.3d at 1584

The examiner rejected claim 18 arguing

> **Claim 18: Gastineau discloses a computer program product residing on a computer readable medium for administrating a first exchange-traded fund, the computer program product (Gastineau, Fig. 1, [0009] [0010] [0020] [0021]),**
>
> **comprising instructions for causing a processor to:**
>
> **record creation of the first exchange-traded fund, the first exchange-traded fund having a prescribed number shares for trading in a first country, the first exchange-traded fund produced by delivery' to an agent, in exchange for the prescribed number of shares of a creation unit basket having a basis that is substantially the same basis as a creation unit basis for a second exchange traded fund that has shares traded on a second marketplace in a different country (Gastineau, Fig. 1, [0009] [0010] [0020] [0021]);**
>
> **Gastineau fails to explicitly disclose:**
>
> **determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant to allow the agent to deliver the second, number of shares in the second exchange-traded fund in lieu of the cash; and**
>
> **record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for cash.**
>
> **Strauss discloses:**
>
> **determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant to allow the agent to deliver the second, number of shares in the second exchange-traded fund in lieu of the cash (Strauss, pgs. 1-3); and**
>
> **record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for cash (Strauss, pgs. 1-3).**
>
> **It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to determine a number of shares in the second exchange traded fund to account for cash that is owed by the agent to the participant to allow the agent to deliver the second, number of shares in the second exchange traded fund in lieu of the cash; and record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for cash.**
>
> **As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.**

Claim 18 is allowable over Gastineau and Straus since no combination of these references either describes or suggests ... instructions ... to record creation of the first exchange-traded fund, ... having a prescribed number of shares for trading in a first country, ... produced by delivery to ... of a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second, different country.

As with claim 1 above, Gastineau neither describes nor suggests first exchange-traded fund, ... produced by delivery to ... of a creation unit basket of securities having a basis that is

substantially the same basis as a creation unit basis for a second exchange-traded fund ... traded on a second marketplace in a second, different country.

In addition, no combination of these references suggests instructions to "determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant ... and record the prescribed number of shares ... to account for cash.

Claim 23 is allowable over Gastineau and Strauss for analogous reasons as in claim 18.

Dependent claims are allowable at least for the reasons discussed in conjunction with their respective independent claims and reasons of record.

The examiner provided the following discussion. **Applicant argues the term "substantially" is not indefinite. Define explicitly on the record the scope and degree of "substantially" and indicate exactly where in the specification support can be found and/or support for how one of ordinary skill in the art would interpret the term.** Applicant has done so, see note 1, above.

Automation

The examiner also advanced the following:

"It is not 'invention' to broadly provide a mechanical or automatic means to replace manual activity which has accomplished the same result. *In re Venner*, 120 USPQ 192 (CCPA 1958) *In re Rundell*, 9 USPQ 220." Applicant does not disagree with this statement but stresses that the features of the independent claims are not **"manual activity which has accomplished the same result."** Rather, the features are novel and non-obvious for the reasons discussed above.

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The examiner also advanced the following:

"The claimed invention would have been obvious to one of ordinary skill in the art. The concept of exchange-traded funds was old and well-known at the time the invention was made. See citation supra for Gastineau." Applicant contends that this is a mere naked conclusion that is unsupported by any reasonable interpretation of Gastineau.

"The concept of in-kind purchase and redemption with respect to exchange-traded funds was old and well-known at the time the invention was made. In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and

well-known that this purchase and redemption occurred at net asset value. See citation supra for Strauss." Applicant contends that this is an improper statement of official notice. Applicant requests that the examiner produce documentary evidence supporting that statement or remove this reasoning from the rejection. While, it was known from Strauss to exchange cash, that is not the subject of the claims. For instance in claim 1, the feature of "delivering a prescribed number of shares in the first fund ... and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.", is neither described nor suggested by the reference.

"Applicant argues, that it is non-obvious that when the creation unit basis between the first fund and the second fund are the same (or nearly the same) and when the net asset value is taken at the same time, that shares in the second fund could also be used. It is noted that this is also obvious in light of the teachings of Gastineau and Strauss. This is also a type of in-kind exchange that is common in fields related to bartering, trading and exchanges. The idea that something (i.e., usually other than money) that is an equivalent or near equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else." Applicant contends that this reasoning is also improper, in that it is an improper application of hindsight re-construction. Gastineau does not describe the first and second funds, and therefore there would be no basis upon which the skilled artisan would have an "**in-kind exchange**" noting that the exchange is of the shares in the second fund to account for cash that is owed by the agent to the participant.

The examiner also requested, clarification to help advance prosecution, as follows:

1. What are the required features/attributes of the first and second fund/financial products individually and in relationship to each other? Please cite these features positively and in every independent claim. Applicant has cited features that Applicant believes distinguish the claims over the cited art. Applicant contends that it is improper for the examiner to insist that Applicant "**cite these features ... in every independent claim**" because that would deny Applicant independent claims of varying scope.

Applicant has corrected antecedent basis problems in the claims as pointed out and believes that all claims use consistent terminology and 112 problems addressed.

As to the examiner's final question "**3. How is the claimed invention distinguished from or non-obvious in light of in-kind exchanges? What is the relationship between the claimed invention and WEBS, foreign market index funds etc.?**", in kind exchanges is addressed above and WEBS, etc. are not the subject of the examiner's rejection. However, the claims are clearly distinguished over WEBS because WEBS neither describe nor suggest shares of a first fund traded on a first marketplace having a creation

unit basket of securities that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country than that of the first fund.

Please charge the Petition for Extension of Time fee of **$120** and please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

Date: 10/31/07

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